

Message Text

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ACTION EA-13

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C O N F I D E N T I A L SAIGON 12693

LIMDIS

E.O. 11652: GDS

TAGS: EFIN VS

SUBJECT: VALUE ADDED TAX: FIRST TWO WEEKS

FOLLOWING SENT ACTION SAIGON INFO CAN THO DANANG AND NHA TRANG
13 JULY REPEATED FOR YOU

QUOTE:

BIEN HOA 0283

REFERENCE: SAIGON 11852 AND 12430

SUMMARY: REPORTS OF CONSULS AND ARROS STATIONED AT BIEN
HOA AND IN THE PROVINCES AGREE THAT NEW GVN VALUE ADDED TAX
(VAT) HAS CREATED MASS CONFUSION AMONGST AFFECTED VIETNAMESE.
MERCHANTS, UNSURE AS TO JUST HOW MUCH TAX THEY VWILL HAVE TO PAY
AND, IN ANY EVENT, FEARFUL THAT PROVISIONS FOR SEIZURE OF THEIR
WARES CONTAINED IN THE LAW, WIL BE USED BY GVN OFFICIALS TO
EXTRACT BRIBES, HAVE RAISED PRICES ON KEY COMMODITIES AS MUCH
AS 30 OR 40 PERCENT. INDIVIDUAL CITIZENS, ESPECIALLY SALARIED
EMPLOYEES, REELING UNDER THE EFFECTS OF AN ON-GOING HEAVY
INFLATION AS WELL AS THE NEW JOLT OF PRICE RISES ASSOCIATED WITH
VAT, HAVE CUT BACK THEIR PURCHASES IN STORES AND RESTAURANTS
SO MUCH THAT IN A FEW CASES MERCHANTS HAVE BEEN FORCED OUT OF
BUSINESS. FINALLY, GVN EMPLOYEES INADEQUATELY PREPARED BY

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THE CENTRAL GOVERNMENTS' PRECIPITATE INTRODUCTION OF THE TAX HAVE
EITHER BEEN TOTALLY UNABLE TO EXPLAIN THE NEW TAX OR HAVE EXPLAINED

IT SO INADEQUATELY THAT THE PREVAILING FOG WAS ONLY THICKENED.

END SUMMARY

1. GENERAL CONFUSION PREVAILS IN ALL PROVINCES OF MR3 ON ALMOST EVERY POINT OF THE NEW VALUE ADDED TAX (VAT). A MERCHANT IN DUC HOA DISTRICT OF HAU NGHIA PROVINCE TOLD CONSUL HE HAD NO IDEA HOW MUCH TAX HE OWED THE GOVERNMENT ON SALES SINCE JULY 1. MOREOVER, HE HAD NO RECORD OF WHAT PRICES HE HAD PAID FOR HIS PURCHASES AND COULD ONLY GUESS AT HOW MUCH HE HAD SOLD. NEITHER HIS SUPPLIERS NOR HE HIMSELF, FOR THAT MATTER, ISSUED RECEIPTS FOR SMALL QUANTITY PURCHASES. THE MERCHANT THOUGHT THAT A TEN PERCENT TAX LEVIED AT EVERY TURNOVER OF THE PRODUCT WOULD INCREASE THE PRICE TO THE CONSUMER BY 30 TO 40 PERCENT. HE WAS SURPRISED TO LEARN FROM CONSUL THAT EACH MERCHANT TRANSFERRING THE PRODUCT FROM THE PRODUCER TO THE FINAL CUSTOMER COULD BE REIMBURSED FOR PART OF THE TAX THAT MERCHANT WAS FORCED TO PAY. THE ONLY ASSISTANCE THE HAU NGHIA MERCHANT HAD RECEIVED FROM THE GVN WERE SOME TAX DECLARATION FORMS AND A SUMMONS TO APPEAR AT THE TAX OFFICE AT THE END OF JULY WITH A COMPLETED FORM SO THAT TAX COLLECTORS COULD TELL HIM

HOW MUCH HE OWED.

2. IN TAY NINH, SOME WOMEN SELLING LIVE PIGS IN THE MARKET PLACE WERE ARBITRARILY ASSESSED 5,000 PIASTRES PER PIG BY THE TAX MEN. WHEN THEY COMPLAINED, TAX COLLECTORS AGREED TO REDUCE THE TAX TO 2,000 A PIG. HOWEVER, WHEN IT CAME TO FILLING OUT THE DECLARATION FORM FOR THE GOVERNMENT, 1,500 PIASTERS PER PIG WAS REPORTED AS TAX, WHILE 500 PIASTRES PRESUMABLY WENT INTO THE COLLECTOR' POCKETS.

3. IN GIA DINH AND BIEN HOA, ALREADY HIGH PRICES TOOK A PRECIPITOUS JUMP AS HARD PRESSED MERCHANTS RAISED PRICES EVEN HIGHER. ALTHOUGH VIETNAMESE CONSUMERS SCREAMED THAT THE "CHINESE" WERE SQUEEZING THEM AGAIN, MERCHANTS WERE OFTEN CAUGHT BETWEEN DWINDLING CUSTOMER THREATS OF HIGH TAXES, AND EVEN HIGHER PAYOFFS, TO AVOID SEIZURE OF THEIR STOCKS FOR ALLEGED NON-COMPLIANCE WITH THE NEW TAX LAW. RICE JUMPED FROM 15,000-16,000 PIASTRES PER 100 KILO BAG, CEMENT JUMPED FROM 700 TO 1,000 PIASTRES, WHILE BEER WAS UP 20 PIASTRES TO 120 PIASTRES PER BOTTLE.

4. THE BIEN HOA PROVINCE CHIEF, WITH UNCOMMON CANDOR, TOLD SENIOR ARRO, BIEN HOA, THAT ALL PRICES HAD GONE UP 30 OR 40

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PERCENT SINCE THE VAT CAME INTO EFFECT. THE PROVINCE CHIEF ALSO NOTED THAT HE HAD RECEIVED OFFICIAL REQUESTS TO CANCEL OPERATING LICENSES FROM SEVERAL BUSINESSES INCLUDING BRICK KILN

AND THE BIEN LONG ROCK QUARRY. THE ARVN COLONEL COMPLAINED THAT THE VAT COULD NEVER BE COLLECTED FROM THE SMALL ENTREPRENEURS WHO SOLD A FEW ITEMS EACH DAY IN THE MARKET PLACE WHILE COLLECTION, EVEN FROM MAJOR MERCHANTS, WOULD BE COMPLICATED BY INADEQUATE RECORDS OF PURCHASE AND SALES.

5. ANOTHER ARVN OFFICER, WHEN CONSUL SUGGESTED THAT GVN HAD PERHAPS INADEQUATELY INFORMED THEIR PEOPLE ABOUT THE NEW TAX COMMENTED, "INFORM THEM AND THEY DONT LISTEN"* THE IMPORTANT THING IS THAT THEY PAY THE TAX*" HOWEVER, AFTER APPROXIMATELY TWO WEKSIN FORCE, IT WAS HIGHLY QUESTIONABLE JUST HOW MUCH TAX WOULD FIND ITS WAY TO THE GOVERNMENT. URBAN AREAS AND LARGE-SCALE BUSINESSES SEEMED LIKELY TO PAY MOST OF THE NEW TAX, WHILE IN RURAL AREAS, INADEQUATE BUSINESS RECORDS AND MEDIEVAL ENFORCEMENT PROCEDURES SEEMED LIKELY TO RESULT IN A SPLIT OF VAT BETWEEN MERCHANTS AND TAX COLLECTORS WITH AN ODD PIASTRE NOW AND AGAIN FINDING ITS WAY TO SAIGON.

6. COMMENT: ALL OF THIS LEAVES MOOT THE CENTRAL POINT OF WHETHER THE GOVERNMENT OF VIET-NAM WILL BE ABLE TO DEFEAT CORRUPTION OF ITS ADMINISTRATIVE SYSTEM TO COLLECT ANY TAX, NO MATTER HOW ADEQUATE THE ADMINISTRATIVE PREPARATION AND INFORMATIONAL EFFORT. CITIZENS OF THE GVN PRESSED FROM EVERY SIDE BY THE MISERIES OF AN ETERNAL WAR HAVE NEVERTHELESS BECOME ACCUSTOMED TO A STANDARD OF LIFE THAT THEY, AS A PEOPLE, HAVE NOT EARNED. THE GVN HARD PRESSED TO SIMPLY EXIST UNTIL TOMORROW, ALL THROUGH THE HISTORY OF THE INSURGENCY, ARE ONLY NOW BEING FORCED TO DEAL WITH ECONOMIC PROBLEMS THAT THEY ALL TOO READILY IGNORED THROUGH THE LONG YEARS OF US ECONOMIC ASSISTANCE. THE WHOLE WEIGHT OF THIS CLASH OF AN UNJUSTIFIABLY HIGH STANDARD OF LIFE, CONSIDERING WOEFULLY INADEQUATE PRODUCTION, AND THE PROSPECT THAT FOREIGN ASSISTANCE WILL DIMINISH BEFORE DOMESTIC PRODUCTION CAN BE MARTIALLED TO TAKE UP THE BURDEN, IS FALLING ON THE ONLY PARTIALLY REFORMED GVN BUREAUCRACY. THE RESULT UNFORTUNATELY IS CORRUPTION. CORRUPTION AS A SYSTEM WHICH MAKES SOME MEN RICH AND OTHERS THAT SUPPLEMENT TOTALLY INADEQUATE SALARIES MIGHT WELL BE VIEN-NAM'S ACHILLES HEEL
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UNLESS THOSE ON TOP ACT MORE DECISIVELY IN THE ERADICATION PROGRAM. IT REMAINS TO BE SEEN WHETHER AN ADMINISTRATION FACED WITH THIS KIND OF CHALLENGE WILL BE SUCCESSFUL IN COLLECTING THE VALUE ADDED TAX.

WALKINSHAW
UNQUOTE APPLING

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